



RISK MANAGEMENT EDUCATION



Florida A&M University

Cooperative Extension Programs

College of Engineering Sciences,
Technology & Agriculture

FACT SHEET

COOPERATIVES AND PRODUCER GROUPS

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Why is there a need to organize?

- ◇ Economic need
- ◇ Desire for a particular service

Why do producers organize?

- ◇ Lack sufficient markets for products
- ◇ Lack satisfy sources of production inputs
- ◇ Lack service related to farming
- ◇ Develop source of additional income

What is a COOPERATIVE?

A business owned and controlled by the people who use its services for their mutual benefit.

Why are cooperatives organized?

- ◇ Improve bargaining power
- ◇ Reduce production costs
- ◇ Improve product or service quality
- ◇ Expand new and existing market opportunities
- ◇ Obtain products or services otherwise unavailable
- ◇ Increase income

3 Distinctive features of Cooperatives

- ◇ User-Owner Principle
- ◇ User-Control Principle
- ◇ User-Benefit Principle

User-Owner Principle

"People who own and finance the cooperative are those who use it."

Direct contribution through membership fees or stock purchase

Agreement to withhold a portion of cooperative profits

Assessments based on units of product sold or purchased

User-Control Principle

"People who use the cooperative control it (one member, one vote)."

Member-users control the business

Elect board of directors and vote on structure and operation

Board sets policy and is responsible for managing the cooperative business

User-Benefit Principle

"To provide and distribute benefits to members based on use."

Members receive services otherwise not available

Members purchase quality inputs, usually at lower cost

Members utilize market access otherwise not available

Members benefit from distribution of profits based on individual volume with the cooperative

Considering Organizing a Cooperative?

- Learn about the legal, economic, and financial aspects of cooperative business
- Get assistance from cooperative development experts, an attorney, and an accountant
- Careful planning increased the chance of success

Ten Steps for Effective Organizing

- Hold an exploratory meeting
- Select a steering committee
- Conduct a survey of potential members
- Analyze markets for products, supplies, and services
- Prepare a business plan
- Adopt bylaws and select a board of directors
- Incorporate the cooperative as a business (for profit or not-for-profit)
- Find investment funds
- Hire management & employees and acquire facilities & equipment
- Begin operations

Potential Pitfalls to Avoid

Lack of clearly identified mission
Inadequate planning
Failure to use experience advisors
Poor assumptions
Lack of quality member leadership
Lack of competent management
Failure to identify and minimize risks
Lack of member commitment
Lack of financing
Inadequate communication

General Rules for Success

Use advisors and committees effectively
Keep members informed and involved
Maintain good board-manager relations
Conduct business-like meetings
Follow sound business practices
Forge linkages with other cooperatives

**Source: "How to Start a Cooperative", USDA Rural Business Cooperative Service, 1996*

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